

Simplifying Business Support

An Introductory Document



Foreword



Successful businesses are the lifeblood of our economy. Across government we spend about £2.5 billion a year supporting business and entrepreneurs – helping them meet the challenges they face.

But business tells us that the plethora of schemes available is confusing and they don't always know where to go for the help they need. At the same time, the number of schemes makes it difficult for government, at all levels, to measure the impact of the support and ensure that duplication is not taking place. So, we want to make it easier for business to access support and easier for us in government to ensure that support is value for money.

The Business Support Simplification Programme builds on DTI's successful transformation of its own business support which reduced over 150 schemes down to less than ten; and work done by Regional Development Agencies to simplify business support since they took over responsibility for the management of Business Link services in April 2005.

To deliver real benefits to business and the tax payer the Programme must be a partnership of central and local government, the Regional Development Agencies and business. By working together we can improve business support – creating better services for business, making a real difference to communities and benefiting the economy as a whole.

A handwritten signature in black ink that reads "Margaret Hodge".

Margaret Hodge MBE MP
Minister of State for Industry and the Regions

Foreword



Attracting and promoting business development is a crucial element in building prosperous and cohesive communities, which is at the heart of our place making agenda.

Business needs a stable environment in which to develop and grow. The services provided by local authorities matter, and the Local Government White Paper 'Strong and prosperous communities' emphasised the role of local authorities in improving the economic

prosperity of their communities.

In some places, the effects of market failure mean that in addition to delivering core public services, local authorities fund or deliver specific business support initiatives. The Small Business Service estimates that around 40 percent of publicly-funded business support schemes are funded locally.

This represents a real commitment by local authorities to developing the economic growth that will underpin community cohesion. However, there is a danger that the volume of schemes may in itself create a barrier to business accessing and engaging effectively with the public sector.

I welcome the Business Support Simplification Programme and, in the context of Local Area Agreements and the Review of Sub-national Economic Development and Regeneration, I would encourage local authorities to work both with each other and with the DTI's Small Business Service, Regional Development Agencies and other critical partners, in order to provide the simple, but effective tools business needs to flourish and communities to prosper.

A handwritten signature in black ink that reads "Phil Woolas".

Phil Woolas MP
Minister for Local Government and Community Cohesion

What is this document for?

This document provides an introduction to the aims of business support simplification in England and invites local government, business support organisations and business to help shape a simplified system of publicly-funded business support.

Regional Development Agencies, Government Offices and local authorities are engaging with business support organisations and business in their areas. This document supports their activity.

Consultation

During 2007 the Business Support Simplification Programme will be working collaboratively with all interested parties on how the vision set out in this document can be achieved.

As announced in the Budget on 21 March 2007, the programme will publish a consultation document in the summer, seeking views from business and other stakeholders on the proposals. Please register your interest by emailing: SimplifyingBusinessSupport@dti.gsi.gov.uk.

1 Introduction

1.1 There are now record numbers of businesses in the UK – some 4.3 million. There are 600,000 more businesses than there were 10 years ago and employment in small and medium sized enterprises has risen by over a million.

Government spends about £2.5 billion¹, across the whole of the public sector, helping people start a business and helping existing businesses face the challenge of being and staying successful. Some of this money is also spent meeting public policy goals where they impact on business (for example helping business meet the challenge of climate change).

1.2 There are over 3000² business support schemes available in England. Support is provided by many organisations including central government departments and their agencies, Regional Development Agencies and local authorities. The large number of schemes means that business can be unclear about what is available to best meet their needs. The Annual Small Business Survey carried out for the DTI's Small Business Service in 2005 showed that over half the businesses surveyed want government support but struggle to find out what is available³.

1.3 In the 2006 Budget the Chancellor of the Exchequer challenged the whole of the public sector to simplify business support by reducing the number of schemes available from over 3000 to no more than 100. The aim is to make it easier for business to access support; use public money more efficiently by reducing the amount spent on administration; and ensure value for money by measuring the effect of business support on the economy and on public policy goals.

1.4 In response to this challenge the DTI's Small Business Service has brought together representatives from the nine English Regional Development Agencies, central government departments, Government Offices, local authorities, the Local Government Association and business to work together to design and deliver a simpler system of business support through the Business Support Simplification Programme.

1.5 This document:

- Explains the rationale for business support;
- Sets out the Business Support Simplification Programme's vision for business support; and
- Invites all publicly-funded organisations involved in business support to work together, and with business, through the Business Support Simplification Programme to create simple, effective and efficient support for business.

¹ Mapping of Government Services for Small Business (PACEC, 2005)

² The Grants & Support Directory www.businesslink.gov.uk

³ Annual Small Business Survey 2005 www.sbs.gov.uk

2 Why does the public sector provide business support?

2.1 We want business to succeed for the benefit of everyone in the UK and we want individuals to succeed by acquiring new skills and reaching their potential through fulfilling employment or by building their own business. We also want to help people and business respond to changing circumstances – be they economic, environmental or cultural.

2.2 Markets, left to themselves, will generally produce the right results: new products, cheaper services, rising living standards and full employment. However, the presence of “market failures” means that the market left to itself won’t always deliver the best result from the perspective of society as a whole. Market failures can exist locally, regionally and nationally - providing effective, targeted business support is one way of addressing them.

2.3 By addressing market failure and meeting business needs, business support can make a significant contribution to local and regional economic development, as well as helping to meet other public policy goals. The Regional Economic Strategies, led by the Regional Development Agencies in each English region, recognise the importance of effective business support in meeting regional economic development targets. Local authorities and their partners have also placed a high priority on creating and growing businesses, particularly in promoting prosperity in the most deprived communities. Business support is also key in supporting the development of cities and city-regions, and in improving services in rural areas.

2.4 The aim of the Business Support Simplification Programme is to ensure that, wherever it is carried out, publicly-funded business support is simple for business to access, has a real impact on economic or public policy goals and represents value for tax payers.

3 The current situation

3.1 Many public sector organisations fund or provide help to business in many different forms. Central government departments, individual local authorities, regional organisations and non-departmental public bodies, to name but a few, often deliver similar services in different ways making it difficult for business to know what best meets their needs.

3.2 The Business Support Simplification Programme is building on work which is already underway to reduce the complexity:

- At national level: DTI streamlined its business support from over 150 schemes to fewer than ten in 2004.
- At regional level: Regional Development Agencies are rationalising their business support. For example Yorkshire Forward is moving from directly funding over 120 individual business support projects to focusing on six core programmes of activity that aid business start-up and growth.
- At the local level: the Local Government White Paper³ identifies an important role for local authorities as 'place-shapers' influencing and leading service delivery in their local area, but not necessarily delivering it themselves. Local Area Agreements⁴ are encouraging local authorities to focus on outputs delivered in partnership with mainstream services. Finally, areas selected to deliver the Local Enterprise and Growth Initiative for deprived areas have demonstrated how local partners can add value by joining up enterprise support in deprived communities.

3.3 The Programme is also linked to the Government's Review of Sub-national Economic Development and Regeneration which is identifying how to further improve the effectiveness and efficiency of sub-national structures in England. The Review will report ahead of the 2007 Comprehensive Spending Review later this year. Full Terms of reference for the Review are available at: http://www.hm-treasury.gov.uk/media/63A/96/csr07_subnatecon_tor.pdf.

³ Strong and Prosperous Communities - The Local Government White Paper published 26 October 2006 ISBN: 9 780101 693929 www.communities.gov.uk

⁴ For info email: laa@communities.gsi.gov.uk

4 Our vision for simplified business support

4.1 We want business support, wherever it is carried out in the public sector, to be simple for business to access, have a real impact on economic or other public policy goals and represent value for tax payers. By providing support that better meets business need and making it simple to understand and access, we hope to increase the take-up and impact of the support on offer.

We will achieve this through:

- High quality joined-up service for the customer, accessed primarily through Business Link;
- A portfolio of one hundred or fewer schemes that can be deployed at the local, regional or national level to meet business needs, achieve public policy aims and make a measurable impact;
- Efficient delivery that puts the customer first and is value for money.

4.2 A high quality joined-up service

4.2.1 Business wants simple access to publicly-funded business support that meets their needs. We believe that the best way to achieve this is through Business Link, with its recognised national brand, managed in each region by the Regional Development Agency. To achieve a fully joined-up service for business, accessed through Business Link, all organisations responsible for publicly-funded business support will need to co-operate with each other at the national, regional and local level. Some organisations already do this, for example, a 'mutual first referral' arrangement exists between Business Link and UK Trade & Investment.

4.2.2 Business Link has changed significantly over the past two years and now acts as a conduit for business and people thinking of starting a business, signposting them to the support that is right for them. From April 2007 all Business Links will operate according to the national information, diagnosis and brokerage model under which they will:

- provide impartial information on the full range of business support services, as well as regulatory and other requirements;
- conduct a diagnosis of a businesses needs (where required), identifying in particular the need and rationale for specialist support; and
- act as a brokerage service, signposting customers to the required support.

4.2.3 In this way Business Link provides a free, impartial route to the information and advice needed to start, run and grow a business. It puts customers in touch with a range of expertise from across the public, private and voluntary sector. Importantly, Business Link acts as an ‘honest broker’ – there is no conflict of interest with the provision of services.

4.2.4 Focusing on Business Link as the primary route for business to business support means that government as a whole should make efficiency savings by reducing the number of ways it seeks to reach business customers. At the same time, a primary point of access should encourage increased take-up as it should be easier and quicker for business to get support.

4.2.5 We recognise that Business Link needs to continue to adapt and improve to meet the changing needs of customers and government. The Regional Development Agencies are working closely with Business Link service providers to ensure Business Link reaches a diverse range of customers. Use of intermediaries by Business Link is increasingly important for delivering business support that is tailored to the needs of specific groups, for example to promote entrepreneurship among disadvantaged communities.

QUESTION ONE: How can Business Link be further developed to meet business and government needs? How can business support services make best use of Business Link as a primary access channel for business?

4.3 A flexible, strategically managed portfolio of business support

4.3.1 Reducing the number of schemes on offer, by eliminating duplication and developing a cross-government view of business support is a key part of simplification. We have found that what business say they need from government and what government wants to achieve in public policy terms is focused on nine broad themes (see Table 1).

4.3.2 We have used these nine themes as a starting point to begin developing a flexible portfolio of business support that can be deployed across the public sector, to meet business needs and deliver public policy aims. The portfolio will be made up of one hundred or fewer schemes, minimising the complexity for business and ensuring that each scheme can be properly monitored and measured to assess its impact. All business support should in future have a clear link to published government targets (eg Public Service Agreements).

4.3.3 The early-stage development work has involved policy-makers in central, regional and local government, together with business representatives and partner organisations. Developing the portfolio will be an iterative process involving business and all parties with an interest in business support. As part of our ongoing consultation we will be testing and developing the portfolio during 2007 to ensure that it meets business needs and provides sufficient flexibility for organisations involved in publicly-funded business support.

Table 1: The nine themes and programme leads:

Theme	Business Support Simplification Lead:
Environment	Department for the Environment, Food and Rural Affairs
Economic Inclusion	Communities and Local Government
Enterprise	South East England Development Agency and the Department of Trade and Industry Small Business Service
Innovation	Department of Trade and Industry Office of Science & Innovation and the South East Development Agency
Skills	Department for Education and Skills and the North West Development Agency
Globalisation	UK Trade and Investment
Business Collaboration/ Infrastructure	Advantage West Midlands
Regulation	Department of Trade and Industry and the Better Regulation Executive
Finance	Department of Trade and Industry Small Business Service

4.3.4 Organisations involved in publicly-funded business support should have a role in monitoring and evaluating the performance of the portfolio, and ensuring it continues to be value for money and meets changing economic and public policy needs.

QUESTION TWO: How can business support be strategically managed, monitored and evaluated so that it continues to meet business and public policy needs?

4.4 Efficient delivery

4.4.1 Evidence from DTI's review of its own business support in 2002-2004 showed that smaller schemes use up a higher proportion of their funding in administration costs. DTI found that up to as much as 25 percent of the budget in schemes of around £1 million was spent on administration, whereas schemes with budgets of around £60 million spent less than 5 percent on overheads.

4.4.2 The Business Support Simplification Programme will be working with partners across the public sector so that all organisations can work together to make efficiency savings by streamlining the delivery of business support.

QUESTION THREE: How can national, regional and local providers of business support work together to streamline delivery?

5 The timetable for consultation and change

- Throughout 2007 the Business Support Simplification Programme will be consulting and engaging with local government, business support organisations and business to shape the new portfolio of business support. There will be a formal public consultation in the summer.
- By the beginning of 2008 we will have developed a comprehensive portfolio of one hundred or fewer business support schemes. Built-in flexibility will ensure the portfolio can be deployed to meet local, regional and national economic development needs, as well as business needs and public policy aims.
- By the beginning of 2008 plans will be in place for the business support portfolio to be managed and monitored by those involved in its provision to enable strategic, evidence-based decisions to be made about future business support.
- By 2010 all existing publicly-funded business support will be earmarked to close, merge into or be delivered through the new business support portfolio.

6 How to get involved

We welcome views on our vision for the future of publicly-funded business support in general and on the specific questions we have asked:

- Q1 How can Business Link be further developed to meet business and government needs? How can business support services make best use of Business Link as a primary access channel for business?
- Q2 How can business support be strategically managed, monitored and evaluated so that it continues to meet business and public policy needs?
- Q3 How can national, regional and local providers of business support work together to streamline delivery?

Please send your views and register your interest in the Programme's work by emailing: SimplifyingBusinessSupport@dti.gsi.gov.uk.

